

Inside Procurement 2019

Unfolding the Future



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Introduction

This year we have had the privilege of collaborating with a number of credible speakers from both within and outside of the housing sector at PfH Live 2019.

These speakers supported us in our quest to explore three core themes throughout the event; Technology, Social Value and Compliance. These themes remain highly relevant within the sector and we have decided to further explore these within this year's Inside Procurement publication.

In addition to another impactful PfH Live event, we have also successfully launched a series of new frameworks and DPS offerings over previous months. For more information on PfH's performance, outcomes and outlooks [click here](#) to download our 2018 Annual Report.

Our full procurement service solution is stronger than ever, delivered by a diverse range of frameworks, consultancy, technology and DPS services. We now offer an end to end solution covering the full spend category that is flexible, compliant and accessible for all our Members.



Steven Malone
Managing Director
PfH

A Smart Future for Social Housing Procurement

By Neil Butters, Head of Procurement at PfH

Imagine a future world where chatbots, algorithmic trading and blockchain work together to manage big chunks of your housing organisation's buying process. Human intervention won't be needed for any transactional purchasing, freeing your team to focus on complex, judgement-based procurement.

How could this buying process of the future work in social housing? Maybe your grounds maintenance team need new fences. Instead of contacting someone in procurement, they will talk online with a chatbot who asks what they need and agrees a specification.

Powered by AI, this interactive agent will collect data, auto-assign conversations and create sales leads in the CRM system. An automatic trading programme could then pick up these leads and submit them to a market centre, negotiating with potential suppliers robotically (via pre-approved lists) and agreeing a price.

The purchase would be registered on the blockchain and fulfilment monitored through to final delivery of the fences. Payment will be made promptly on receipt of the goods and a chatbot contacts the grounds maintenance team to ask how happy they are with their purchasing experience.

This forward view of procurement isn't happening yet but many of these emerging technologies are being used separately in social housing. Take chatbots for instance. In some housing associations, tenants can engage in human-like conversations with interactive agents to request a repair, get advice on how to apply for housing support, report anti-social behaviour or ask about shared ownership options. Available 24/7, it is hoped that talk bots will improve the customer experience for residents.

Artificial intelligence is also being put to work internally - around business improvement. Some social landlords

use it to forecast their spend and control costs. At PfH, we're drawing on machine learning (a type of AI that categorises data) to check if housing association staff are buying products off-list at higher rates. It's also helping to match landlords' transactional information with external data to see if they are paying over the national average for certain products and supporting them to drive down supplier prices.

Blockchain too is being used in pockets of the sector. This powerful technology creates a highly secure and transparent collection of records that can't be changed, deleted or tampered with. Whenever a transaction is made it is logged as a block and recorded permanently on a public ledger.

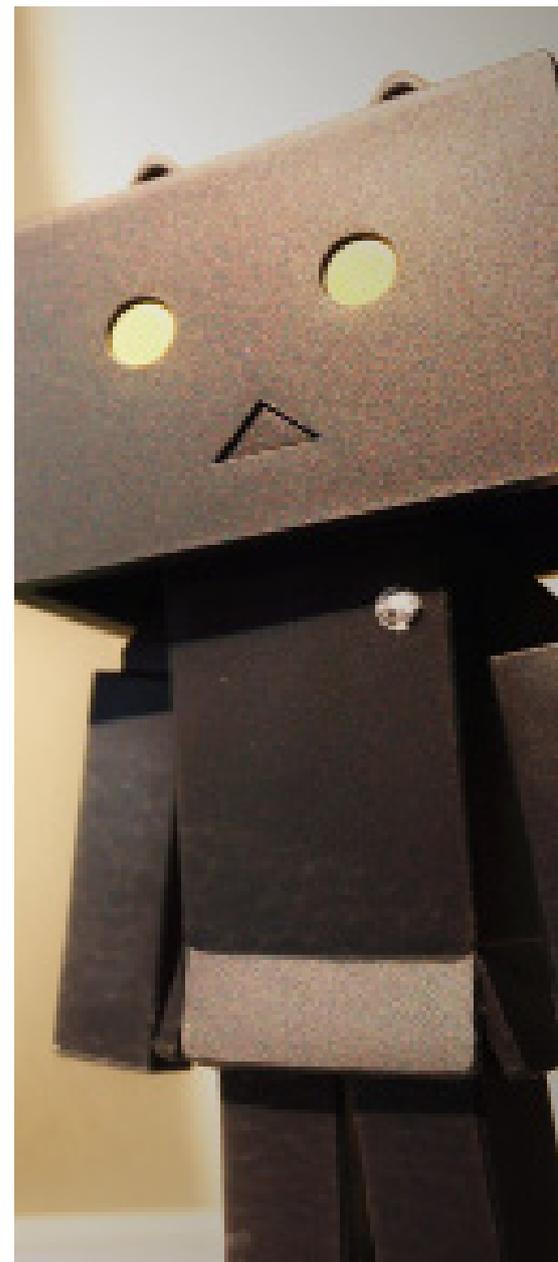
All transactions on the blockchain are available for everyone to see, so organisations can be immediately held accountable for any issues. This promotes trust between buyers and suppliers, cuts fraud and improves compliance. It also speeds up transactions as each stage of the contracting and payment process is automated and can only happen when key criteria are met, boosting staff productivity and reducing admin costs. Data is highly secure within the blockchain - no one can copy or edit records and highly sensitive information can be hidden in a private blockchain.

Although it's not yet widely used in social housing, some larger suppliers are looking to adopt blockchain around construction, new build financing and energy provision.

A local renewable energy project in a Brixton social housing estate is using blockchain so tenants can trade energy with each other. Electricity is generated from a solar PV system on a housing block's roof and stored in a battery. Residents can access their own allocation of the energy via an app or trade it with their neighbours.

Blockchain has also been touted as a tool to increase investment in social house building, making it easier for investors to withdraw their money quickly if needed. The ability for anyone, anywhere to effortlessly trade in and out of an investment via blockchain could make it cheaper for housing associations to raise finance.

EHAB, a data and process management platform working in affordable housing is using blockchain technology to reduce admin costs and payment delays during construction. They are creating layers of smart contracts so that many of the time consuming and costly tasks which happen during the building process can be automated.



Overall, the social housing sector has been slow to exploit blockchain. Barriers include the high energy consumption of the powerful computing systems needed to operate the technology but also the lack of adoption in the supply chain. If suppliers aren't using blockchain for procurement, then there's less incentive for a housing association to do so. It will take a few large merchants or global contractors to break this deadlock, implement their own blockchain and pass it down the field to the end user. I can see this happening around the manufacture of building materials, through to the construction and then asset management and maintenance of homes.

Integration is at the heart of the future vision I set out at the start of this piece. To fully automate task-based purchasing, we need to link all these technologies together rather than just using them in isolation. That bit of the puzzle is still missing and the sooner it is cracked, the better.



Housing Solutions: Procurement Consultancy Case Study

Housing Solutions provide good quality, affordable homes to rent and buy across the South East of England. Established in 1995 they now own, manage and maintain more than 7,500 properties across Berkshire and Hampshire. They offer a wide range of housing options, including affordable homes to rent, properties to buy under shared ownership, market rent properties, and specialist accommodation for older people and people who need care and support to live within the community.

Aims and objectives

With the organisation suffering from a combination of short term appointments and unsatisfactory performance from a procurement point of view, the newly appointed procurement resource quickly found the workload unsustainable and the Housing Solutions Executive Team recognised that an assessment of their practices and performance was required, not only to start delivering the benefits of a professional procurement service, but also to understand how their infrastructure compared with best practice in the Housing Sector.



Innovation and creativity

Through effective stakeholder engagement and a longer-term strategic view of contract requirements we were able to transition Housing Solutions from a high volume, short-term, annual tender cycle to a longer-term contracting environment that supported increased value creation, optimised internal efficiency and local community benefits.

Consultation with stakeholders highlighted the desire to award a higher proportion of contracts to locally based businesses whilst at the same time delivering improved value for money and higher quality outputs.

Feedback from local suppliers suggested that previous tender exercises conducted had been overly complex and with short contract terms which created challenges in arriving at an optimal price point due to the short term nature and lack of commitment.

By utilising a dynamic purchasing system to procure all planned maintenance requirements, we were able to;

- Deliver the procurement programme in a significantly reduced timeframe
- Play a lead role in pre-market engagement and stimulation of the local supplier markets

- Provide longer term contract visibility for suppliers which in turn will lead to increased investment in jobs, training and social value creation
- Drive greater economies of scale by moving to longer-term contracts and delivery models which maximise innovation and efficiency
- Supported Housing Solutions' localism agenda
- Introduced more robust supplier due diligence checks to mitigate risk and provide on-going assurance

Results

As a result of our work with Housing Solutions, the procurement function was relaunched with greater focus on strategy and as a business enabler. There is now an enhanced procurement culture within their organisation which has inspired a far more positive perception of the procurement function. There is restored confidence in the professionalism of their procurement and as a result, the reputation and credibility of the function was enhanced through the appointment of a high performing team.

We created a suite of procurement management documents including Strategy, Policy, Procedure, template contracts, & documents to enable our client to contract compliantly as well as mitigate supply chain risk.

Spend analysis is now embedded as a core principal for forward procurement planning; adding a comprehensive and transparent layer to their decision-making to ensure the annual value targets of 7% with KPIs to ensure this is achieved. Now Housing Solutions understand their spend behaviour, they now have a procurement environment which is strategic in nature, proactive, and targeted to be a key tool in the delivery of wider business plans.

We helped Housing Solutions to adopt a 3-year procurement cycle with a view on innovation that ensures all required activity is given adequate consideration, is effectively strategised and delivers optimum value. Social Value has been embedded in the procurement process in terms of local contractors now being able to access and bid for tenders through the Dynamic Purchasing System, thus assisting in improving the wealth of the local community.

Other benefits achieved:

- Contracts in place for 90+% of spend
- All major contracts have been addressed and are in formal contracts
- Culturally the business promotes the role of procurement as a business enabler
- Immediate bottom line impact
- Long term performance improvement
- Strategic performance managed supplier relationships
- Intelligently controlled costs
- Enhanced cost control and compliance
- Continuous innovation for optimised efficiencies and best practice

We've successfully equipped Housing Solutions with the procurement insight and capability to help them meet the huge challenges they're facing. We've given them the spend intelligence and innovative procurement solutions that have helped them to drive up savings, drive out cost and mitigate risk.

"Housing Solutions engaged the services of PfH to undertake a full review and health-check of the strategic procurement function across the organisation, with a brief to provide recommendations for possible areas of improvements for greater enhancements to procurement processes and avenues to achieve greater value for money. PfH identified a number of key areas enhancements both to processes and avenues for achieving greater value for money, we have since continued to utilise their services to drive our programme of major procurement projects.

Our lead consultant has quickly developed excellent relationships across the organisation, achieving buy-in and collaboration from key stakeholders. He is respected for his knowledge and expertise, in particular his experience within the asset management area of the business. Whilst always the professional, he brings a welcomed down-to-earth approach, demystifying procurement and as a result taking people on the journey throughout the process.

With the assistance of PfH we expect to have a stronger approach to procurement embedded within the organisation and to substantially increasing our targeted category savings throughout 2019/20".

Carol Lovell Director of Corporate Services, Housing Solutions

Redefining Social Value

By Ben Carpenter, CEO at Social Value UK

Ever since social value was enshrined in law seven years ago, it has become synonymous with a handful of key topics. One of these is local job creation and another is economic growth through support for SME suppliers.

The definition of social value in the Public Services Act is deliberately broad, encompassing 'the social, economic and environmental wellbeing of a place'. Having such an open meaning has allowed buyers and suppliers of public sector contracts to be flexible and innovative in the way they apply the act. Flexibility is to be welcomed; at Social Value UK we are not advocates of a one-size-fits-all approach to delivering or measuring social value. However, it is clear that such a wide-ranging definition is causing some confusion and perhaps a lack of focus on measuring what really matters.

It is very common for social value targets in many sectors (including housing) to centre upon local economics and keeping money within a particular region - local jobs for local people, local apprenticeships and using local suppliers.

These are all worthwhile initiatives that may be creating social value, but my aim now is to challenge procurement leaders to re-examine what social value means to them. Yes, it can be about the 'local pound' and local jobs but, surely, we must be thinking beyond this?

It's clear that the economic wellbeing of a place - local spend and job numbers - is more tangible and easier to measure than the social aspect such as personal wellbeing. However, as a result, and somewhat ironically, the part of the Public Services Act that is directly about making people's lives better, doesn't always get the attention it deserves from buyers.

So, beyond 'making people's lives better', what do I mean by social and environmental wellbeing and how can housing associations create this type of social value? Interestingly, a recent report from the all-party parliamentary group on wellbeing economics called for the health and happiness of citizens to become the main aim of government policy rather than economic growth. For a number of years now, the Office for National Statistics has been measuring the nation's quality of life, analysing areas such as health, relationships, education and skills, what individuals do and where they live. We must start embracing this if we want the Public Services Act to drive meaningful change.

Using social value and individual wellbeing as a metric to assess value in society is really about going beyond the economic changes and understanding how our activities lead to non-financial changes in people's lives. These could be intended positive changes, but they could also be unintended negative changes.

For example, if local jobs are created by awarding an asset management contract to a SME supplier - but they are all zero hours contracts - then I would question whether people's lives and their individual wellbeing is being made better. The same scrutiny must be applied to the employment practices of a contractor tasked with a more implicit social value contract such as adult social care. If the workers providing care services are all on minimum wage, over worked and under supported, then how is such a scheme creating net positive change in people's lives? Housing associations awarding such contracts must consider the quality, not just quantity of employment generated by procurement activity when doing their social value sums.

Mental health, financial wellbeing and life satisfaction are all critical factors here and that's why I'm calling on social landlords to treat their employment practices as part of their social value work. If social value is about creating positive influences in people's lives, then the hundreds (or thousands) of people employed by a housing association and their supply chain is a good place to start. In fact, the amount of value your organisation creates from small community initiatives (CSR type activities) will probably pale in comparison to the impact you can have on the lives of your employees and their families through positive workforce initiatives.

Many social housing providers may not view the way in which they treat employees as an indicator of social value, yet they probably already have lots of information to evaluate this, as do their suppliers. Employee engagement data about job satisfaction levels, whether staff members feel respected, if they've received the training or the tools they need to do their job, is now commonplace – and a good starting point for social value improvement.

This is also about diversity and inclusion in the workplace, the degree to which employees are consulted or engaged on certain issues, gender representation and pay ratios. Similarly, it's about health and safety – not just in the traditional sense of preventing accidents on site but in terms of proactively avoiding stress and poor mental health amongst the workforce.

I'd like to see more housing associations reporting on how they and their suppliers are using this type of social value data to create positive changes for people in the future. For instance, how do figures on diversity, workplace happiness or part-time contracts inform how an organisation employs people in the future? Are you creating jobs or opportunities for people who wouldn't normally have the chance?

Social value is of course about delivering services with and for the community - whether part of the core contract or through additional work). It can also be about stimulating local economies. But let's not lose sight of the fact that, at its heart, the social value act is about changes in individual wellbeing and one of the best places to start considering this is under your own roof, managing the experiences of people within your own workforce.



Improving Industry Competence: Procurement's Role

**By Adrian Dobson, Executive Director
Professional Services at Royal
Institute of British Architects**

Last month, almost two years since the Grenfell Tower tragedy, the government announced a consultation on proposals to set up a national Building Safety Regulator. Part of this new watchdog's brief will be to improve industry competence, something the construction sector was severely criticised for in the Hackitt Review.

In her interim report of the Independent Review of Building Regulations and Fire Safety, Dame Judith Hackitt said it was too hard to identify people with responsibility in the current building and fire regulatory regime. Fragmentation and complexity across the supply chain means that accountability is cascaded from consultant to consultant, contractor to sub-contractor and supplier to supplier. This causes ambiguity and confusion around roles and duties.

For social landlords, ensuring that suppliers, contractors and professional consultants and specialists are sufficiently skilled has always been an important consideration. But with the government's proposals for reform of building safety regulations shining the spotlight on accountability; RSLs, housing associations and council landlords must now take a forensic approach to assessing professional competency.

The government's recent consultation proposes a regime with defined duty holders who have clear responsibilities throughout a building's design, construction and occupation. They want to mirror the existing Construction (Design and Management) Regulations 2015, ensuring there is a client, such as a social landlord, appointing a principal designer, principal contractor and a building safety manager on each project.

The proposed building safety regulator would establish a committee that oversees a comprehensive accreditation system. Every individual in a duty holder position – from trades to professionals – would be included on a competency list and be legally responsible for adhering to regulations and meeting new standards.

The procurement process will play an important role in supporting this new regulatory regime. From sourcing specialist architects, surveyors and engineers who can advise on the design, engineering and fire safety of new buildings, to the performance management of suppliers and contractors appointed to supply and install materials, social landlords will be responsible for making sure the professional advisers and contractors they buy in (and also those staff they employ directly) have the right skills. If they fail in this duty, they will face serious consequences.

This new regulatory regime will inevitably cost contractors, sub-contractors, consultants and developers money and some may be slow to respond. Social housing providers must put tender checks in place to ensure they only procure from suppliers that have adopted the new systems. Are the correct duty holders in place and does everyone have the right accreditation?

Social landlords must also consider how they improve independent oversight across their asset management and new build projects, including commissioning additional layers of quality control such as buying in a clerk of works or an inspecting architect - another way to maintain the golden thread of design intent and ensure that the building being constructed is the same one that was designed.

This links to the importance of continuity in project teams. In modern procurement it has become unusual for full design teams to be involved in a project from the outset right through to the end. This is echoed on client side, with those social housing officers who sign off a project often being different from the team that initiated the work with the architects. This fragmentation was criticised in the Hackitt review and procurement teams are in a unique position to put this right – to some degree. Their vista across their organisation and their involvement at each stage of the process means they can point out disconnections and promote continuity in both teams and information. The value that the procurement department can offer to this process must be recognised.

Strong contract management is also key to ensuring building safety. The new regulatory system will introduce a series of gateways or fixed checkpoints in the building process to ensure that what is constructed actually meets the approved initial design and fire safety strategy. Social housing procurement teams will be key to ensuring that designers, contractors and specialists meet the requirements of each stage through robust monitoring and performance management.

The Grenfell Tower Fire resulted in the largest loss of life in a single peacetime building fire since the Exeter Theatre Royal fire of 1887 in which 186 people died. Many people believe that it should and will result in a turning point in the UK approach to fire safety regulation. Procurement functions have a big part to play, ensuring that in the future, supply chains consist of individuals and organisations who are true custodians of the safety of social housing buildings and the tenants that live within them.

Hafod: Procurement Health Check Case Study

Celebrating their 50th anniversary in 2018, Hafod have grown from a small housing association to be one of the largest providers of housing, care and support in South Wales. Operating from their head office in Cardiff, the Company work across 9 local authorities, employ over 1,200 staff, have a turnover in excess of £50m, and are committed to 'Making Lives Better' for their customers and communities.

Following a decision to centralise their group of companies, Hafod identified significant opportunity to review and refresh their organisational and strategic approach to procurement. Having previously carried out procurement on a project by project basis, Hafod were keen to understand current strategic positioning of procurement within the organisation,

the potential of their buying power and to explore options and benefits of installing a professional procurement resource.

Engaging with Procurement for Housing as a new provider, Hafod were keen to appoint a partner with the ability apply expert knowledge and experience to set out a path to procurement improvement.

Applying a standard, but tailored methodology, PfH delivered our Procurement Health Check service which encompassed on-site informal interviews with key stakeholders and business leaders, spend analytics, and a detailed review of existing procurement infrastructure. Understanding organisational culture and attitudes to procurement, coupled

with a detailed understanding of the organisation's spend profile and behaviours allowed PfH to provide a comprehensive report with targeted recommendations to facilitate procurement within Hafod as a strategic business enabler. In addition to providing a procurement road map to excellence, PfH delivered a central procurement strategy, a detailed suite of procurement guidance documentation for non-specialists, and created a target led forward procurement plan for major spend areas. A key element of the final report to Hafod was highlighting the benefits of installing a professional procurement resource complete with an options appraisal.

"The procurement health check carried out by PfH was an invaluable exercise which provided detailed analysis of our procurement activities. Furthermore, the review gave us the knowledge and tools to introduce procurement as a core strategic principle. We look forward to continuing our partnership with PfH as we embed our new approach across the organisation, ensuring we achieve all the benefits of a well-managed procurement service."

Gareth Yeoman-Evans Director of Finance and IT Hafod Resources

Results

Following delivery of the project and a senior leaders debrief, Hafod have fully embraced the changes and recommendations of the PfH Health Check report, and are seeking to relaunch organisational procurement as a fully strategic service. Enlisting the further support of PfH, Hafod have installed a highly functioning Procurement Business Partner to oversee and champion an organisational refresh to procurement and to actively deliver the highlighted programme of major procurement projects. Unlocking the potential of effective procurement, Hafod are embedding a methodology which guides and empowers budget holders to carry out procurement compliantly and efficiently, and are proactively addressing major areas of spend to deliver enhanced value to Hafod's customers and communities.



PfH's Procurement Solutions

Our full service offering

PfH can offer an end to end support solution for all of your procurement needs. Encompassing a diverse range of frameworks, dynamic purchasing systems (DPS), technology and consultancy, we provide a bespoke level of service for each of our Members based on their individual needs and expectations.

DPS

Our Dynamic Purchasing Systems offer a fresh new approach that provides business benefits for everyone and fits seamlessly into local industrial strategies around employment opportunities and social value.



consultancy

PfH Consultancy delivers sector leading procurement techniques that deliver true, measurable, value.



We bring a depth of insight and experience from the housing sector and beyond to ensure your approach to procurement is not limited to sourcing.



frameworks

Our frameworks offer three different compliant routes to market, including:

- Direct call off
- Mini competition
- Premium mini competition

Customers using our frameworks benefit from preferential pricing improving bottom-line performance and return on investment.



technology

Technology has been a huge contributing factor to the development of procurement.

PfH offers a range of technology led procurement solutions in addition to stand alone products to enhance our Members procurement processes.



PfH's Nominated Suppliers

Support Services

Ambient & Chilled Food	Janitorial, Workwear & PPE	Office Depot	Tunstall
Batleys Foodservice	Arco	Print Management	Welbeing
Bidfood	Arrow	Altodigital	Telecommunications
Blakemore Foodservice	Banner	Arena Group	4Net Technologies
Brakes Bros Ltd	Bates Office	Capita	Britannic Technologies
Creed Foodservice	Bunzl	CDP Print Management	Daisy Communications
H.N. Nuttall Limited	Greenham	GPS Document Management	PCI Services
Harlech Foodservice	Nationwide Hygiene Group	Office Depot	Redcentric Solutions
Lomond Fine Foods Ltd	Office Depot	Resource	Social Telecoms
MKG (Food Products) Ltd	PWS	Ricoh	
Philip Dennis Foodservice	Lone Worker	SCC	
Trevors Foodservice	Alertcom	Toshiba	
Turner Price	Lone Worker Solutions	Telecare & Telehealth	
Energy	Orbis Protect	Appello	
Inspired Energy	Skyguard	Centra	
EPS	Office Solutions	Close Circuit Security Solutions (CCSS)	
allpay	Banner	Legrand Electric Limited (Tynetec)	
PayPoint	Lyreco	Progress Lifeline	

Planned Works

Windows & Doors	Technical Support Services	Wardell Armstrong LLP	Europcar Group UK Ltd
A Connolly	Baker Mallett LLP	Wilde Consulting Ltd	Inchcape Fleet Solutions
Anglian Building Products	BSW Constucting Ltd	Wilks Head & Eve LLP	Leaseplan
Asset Finline	Charles Andrews Ltd	Vehicle Purchasing	Lightfoot
Esh	Clearwater Technology Limited	Citroen	Limesquare Vehicle Rental
HMS	Crofton Group	Euro Commercials	Shell UK Oil Products Limited
Joedan	EDP Consulting Limited	Ford	Quartix Limited
Nova Group	Hulley Kirkwood Consulting Engineers	Isuzu	Sortimo International
Sovereign Group	Identity Consult Limited	Lookers	Traffilog UK
Wrekin Windows	Integrated Water Services	Man, Truck & Bus	UK Telematics
Kitchens & Bathrooms	Kartar Consulting	Peugeot	Venson Automotive Solutions
Axis Group PLC	Lendlease Consulting	Renault	Furniture & Flooring
CCG (Scotland Ltd)	McAdam Design	Renault Trucks	Bates Office
CLC Group	Michael Dyson Associates Ltd	Rygor Commercials	Crown Flooring
Jewson Ltd	OCC QS Ltd	Toyota	David Phillips
JTC Furniture Group	Pellings LLP	Vauxhall Motors	Designer Contracts
Magnet	Pennington Choices Ltd	Vehicle Fleet Management	FRC Group
Mi-Space (UK)	Property Tectonics Limited	ACL Hire Ltd	Gresham Office Furniture
Moore's Furniture Group	Rand Associates Consultancy Services	Alphabet UK Fleet Management	Knightsbridge Furniture
Plumbing Trading Supplies (PTS)	Ridge & Partners LLP	Bott Ltd	Teal
Rixonway Kitchens	Steel River Consulting Ltd	Bri Stor Systems Ltd	Wagstaff
The Symphony Group	Total Environmental Compliance	BT Fleet	
Wolseley UK	Turner & Townsend Project Management	Daimler Fleet Management	

Responsive Works

Materials	PROCare	Heating Services	Void Property Management Services
Adaptocare	Rexel UK	Aaron Services	CLC Group
AKW Ltd.	Stannah Stairlifts	HMS	DLP
City Electrical Factors (CEF)	Travis Perkins Managed Services	K&T Heating	Mi-Space
City Plumbing Supplies (CPS)	Wolseley UK	Liberty Gas	Orbis Protect
Contour Showers	Decorative Solutions	Sure Group	SPS Doorguard
Edmundson Electrical	Akzonobel	Warmer Energy Services	SW&L
Grafton Merchanting GB	B&Q PLC	Commercial & Domestic Appliances	The Sovini Group
Jewson	Crown Paints Ltd	AO	VPS
National Merchant Buying Society (NMBS)	Dulux Decorating Centre	Goodman Sparks	
PHC Parts	Johnstone's Trade (PPG)	WashCo	
Prism Medical UK	Wilko Retail Ltd	JLA	